

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Chippewa Township	County	ISABELLA	Type	TOWNSHIP	MuniCode	37-1-020
Opinion Date-Use Calendar	Jul 2, 2008	Audit Submitted-Use Calendar	Jul 8, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 841,837.00
General Fund Expenditure:	\$ 332,958.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,041,539.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Aaron	Last Name	Stevens	Ten Digit License Number	1101024055				
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CPA Firm Name	Abraham & Gaffney, P.C.	Unit's Street Address	11050 E. Pickard Road	City	Mt. Pleasant	LU Zip	48858		

**Township of Chippewa
Isabella County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Township of Chippewa
Isabella County, Michigan
March 31, 2008
BOARD OF TRUSTEES

George Grim	Supervisor
Barbara Kowallic	Clerk
Jan Gill	Treasurer
Clair Lapham	Trustee
Michelle Quakenbush	Trustee

Township of Chippewa

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Chippewa
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chippewa, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chippewa, Michigan as of March 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Chippewa's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 2, 2008

BASIC FINANCIAL STATEMENTS

Township of Chippewa
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,632,173
Investments	459,209
Accounts receivable	<u>7,710</u>
Total current assets	2,099,092
Noncurrent assets	
Capital assets not being depreciated	14,965
Capital assets, net of accumulated depreciation	<u>110,374</u>
Total noncurrent assets	<u>125,339</u>
TOTAL ASSETS	2,224,431
LIABILITIES	
Current liabilities	
Accounts payable	9,043
Accrued liabilities	<u>7,563</u>
TOTAL LIABILITIES	<u>16,606</u>
NET ASSETS	
Invested in capital assets	125,339
Unrestricted	<u>2,082,486</u>
TOTAL NET ASSETS	<u><u>\$ 2,207,825</u></u>

See accompanying notes to financial statements.

Township of Chippewa
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 166,938	\$ 18,985	\$ 350,830	\$ 202,877
Public safety	101,518	-	-	(101,518)
Public works	37,839	36	4,485	(33,318)
Community and economic development	26,418	-	-	(26,418)
Total governmental activities	<u>\$ 332,713</u>	<u>\$ 19,021</u>	<u>\$ 355,315</u>	41,623
General revenues:				
Property taxes				92,627
State shared revenue				326,255
Investment earnings				35,073
Miscellaneous				<u>15,348</u>
Total general revenues				<u>469,303</u>
Change in net assets				510,926
Net assets, beginning of the year				<u>1,696,899</u>
Net assets, end of the year				<u>\$ 2,207,825</u>

See accompanying notes to financial statements.

Township of Chippewa

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Debt Service (1993 G.O. Bonds)	Capital Projects (Sanders Subdivision)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,569,291	\$ 35,983	\$ 26,899	\$ 1,632,173
Investments	459,209	-	-	459,209
Accounts receivable	7,710	-	-	7,710
Due from other funds	-	31,997	-	31,997
Advance to other funds	38,000	-	-	38,000
TOTAL ASSETS	\$ 2,074,210	\$ 67,980	\$ 26,899	\$ 2,169,089
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,043	\$ -	\$ -	\$ 9,043
Accrued liabilities	7,563	-	-	7,563
Due to other funds	16,065	-	15,932	31,997
Advances from other funds	-	38,000	-	38,000
TOTAL LIABILITIES	32,671	38,000	15,932	86,603
FUND BALANCES				
Reserved for:				
Advances to other funds	38,000	-	-	38,000
Public safety	44,112	-	-	44,112
Unreserved				
Designated for:				
Subsequent year's expenditures	447,150	-	-	447,150
Debt service	-	29,980	-	29,980
Capital expenditures	-	-	10,967	10,967
Undesignated:				
Reported in General Fund	1,512,277	-	-	1,512,277
TOTAL FUND BALANCES	2,041,539	29,980	10,967	2,082,486
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,074,210	\$ 67,980	\$ 26,899	\$ 2,169,089

See accompanying notes to financial statements.

Township of Chippewa

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balances - governmental funds \$ 2,082,486

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	214,475	
Accumulated depreciation is	<u>(89,136)</u>	
Capital assets, net		<u>125,339</u>
Net assets of governmental activities		<u><u>\$ 2,207,825</u></u>

See accompanying notes to financial statements.

Township of Chippewa

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	General	Debt Service (1993 G.O. Bonds)	Capital Projects (Sanders Subdivision)	Total Governmental Funds
REVENUES				
Taxes	\$ 97,840	\$ -	\$ -	\$ 97,840
Licenses and permits	1,625	-	-	1,625
Intergovernmental	681,570	-	-	681,570
Charges for services	12,147	-	-	12,147
Interest	33,307	-	1,766	35,073
Other	15,348	7,899	-	23,247
TOTAL REVENUES	841,837	7,899	1,766	851,502
EXPENDITURES				
Current				
General government	146,371	-	-	146,371
Public safety	101,518	-	-	101,518
Public works	37,839	-	-	37,839
Community and economic development	26,418	-	-	26,418
Other	20,812	-	-	20,812
TOTAL EXPENDITURES	332,958	-0-	-0-	332,958
NET CHANGE IN FUND BALANCES	508,879	7,899	1,766	518,544
Fund balances, beginning of year	1,532,660	22,081	9,201	1,563,942
Fund balances, end of year	<u>\$ 2,041,539</u>	<u>\$ 29,980</u>	<u>\$ 10,967</u>	<u>\$ 2,082,486</u>

See accompanying notes to financial statements.

Township of Chippewa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ 518,544

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	7,599	
Depreciation expense	<u>(7,354)</u>	
Excess of capital outlay over depreciation expense		245

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue	<u>(7,863)</u>
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Change in net assets of governmental activities \$ 510,926

See accompanying notes to financial statements.

Township of Chippewa

Fiduciary Funds

STATEMENT OF NET ASSETS

March 31, 2008

	Agency Funds
ASSETS	
Cash	<u>\$ 1,689</u>
LIABILITIES	
Due to State	\$ 742
Due to individuals and agencies	<u> 947</u>
	<u>\$ 1,689</u>

See accompanying notes to financial statements.

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chippewa Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Isabella County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Chippewa. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Chippewa contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility.

Shepherd Tri-Township Fire Department - The Township of Chippewa, in conjunction with the Townships of Coe and Lincoln, and the Village of Shepherd, has entered into an agreement to provide fire services by creating the Shepherd Tri-Township Fire Department.

Each unit names two members and one alternate from its governing body to serve as the Fire Department's Advisory Board. The Advisory Board has responsibility for adopting an annual budget. Under the arrangement, each unit bears its share of the Fire Department's direct labor costs for fire runs within its boundaries and other costs according to a formula which takes the ratio of population and State Equalized Valuation which each unit involved bears to the total population and State Equalized Valuation of all units involved, and averages the two. The percentages of responsibility for other costs for the year ended November 30, 2007, for the Townships of Chippewa, Coe, and Lincoln and the Village of Shepherd were 45%, 18%, 23%, and 14%, respectively. Annual contributions are made by each unit based upon the budget. The Township paid \$101,518 for operating expenditures, wage reimbursement, and mileage for the year ended March 31, 2008.

The financial activities of the Shepherd Tri-Township Fire Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended November 30, 2007, are available from the Department. As of November 30, 2007, the Department had a fund balance of \$339,964.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Debt Service Fund (1993 G.O. Bonds) - The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.
- c. Capital Projects Fund (Sanders Subdivision) - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects. Financing and construction of road improvements paid for by special assessments levied against benefited properties are included in this fund.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued on December 1, 1989, generally are followed in both the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General Fund budget shown in the required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of regular and money market checking, savings accounts, and certificates of deposits with an original maturity of 90 days or less. Cash and cash equivalents are recorded at market value.

8. Investments

Investments are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

9. Property Taxes

The Township of Chippewa bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Property Taxes - continued

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Isabella County Treasurer on March 1. The Isabella County Treasurer remits payment to the Township on all delinquent real property taxes. The Township then remits these delinquent payments to the applicable units. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2008, the Township levied 0.9736 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2007 levy for property within the Township was \$87,895,186.

10. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings	50 years
Equipment	3 - 15 years

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Chippewa is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of March 31, 2008, the carrying amounts and bank balances for the accounts were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 1,514,248	\$ 1,517,090
Savings	62,881	62,881
Certificates of Deposit	<u>515,867</u>	<u>515,867</u>
	<u>\$ 2,092,996</u>	<u>\$ 2,095,838</u>

The cash and cash equivalents captions on the financial statements include \$75 in imprest cash.

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2008, the Township accounts were insured by the FDIC for \$462,881 and the amount of \$1,632,957 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2008:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 1,632,173	\$ 1,689
Investments	<u>459,209</u>	<u>-</u>
	<u>\$ 2,091,382</u>	<u>\$ 1,689</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2008, are as follows:

Due to Debt Service Fund from:	
General Fund	\$ 16,065
Capital Projects Fund	<u>15,932</u>
	<u>\$ 31,997</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable at March 31, 2008:

Advance from General Fund to:	
Debt Service Fund	<u>\$ 38,000</u>

The balance of \$38,000 advanced to the Debt Service Fund from the General Fund resulted from loans made for payment of debt.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Mar. 31, 2008</u>
Capital assets not being depreciated				
Land	\$ 14,965	\$ -	\$ -	\$ 14,965

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance April 1, 2007	Additions	Deletions	Balance Mar. 31, 2008
Capital assets being depreciated				
Land improvements	\$ 10,750	\$ -	\$ -	\$ 10,750
Buildings	159,486	-	-	159,486
Equipment	<u>21,675</u>	<u>7,599</u>	<u>-</u>	<u>29,274</u>
Totals at historical cost	191,911	7,599	-0-	199,510
Less accumulated depreciation for:				
Land improvements	(538)	(538)	-	(1,076)
Buildings	(69,828)	(3,168)	-	(72,996)
Equipment	<u>(11,416)</u>	<u>(3,648)</u>	<u>-</u>	<u>(15,064)</u>
Total accumulated depreciation	<u>(81,782)</u>	<u>(7,354)</u>	<u>-0-</u>	<u>(89,136)</u>
Net capital assets being depreciated	<u>110,129</u>	<u>245</u>	<u>-0-</u>	<u>110,374</u>
Capital assets, net	<u>\$ 125,094</u>	<u>\$ 245</u>	<u>\$ -0-</u>	<u>\$ 125,339</u>

Depreciation expense was charged to the following governmental activities:

General government	<u>\$ 7,354</u>
--------------------	-----------------

NOTE F: RETIREMENT PLAN

The Township of Chippewa is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Chippewa Pension Plan is a money purchase defined contribution pension benefit plan. During the year ended March 31, 2008, the Township of Chippewa was required to contribute for all eligible employees at a minimum rate of 15% of wages.

For the year ended March 31, 2008, the Township had a total payroll of \$62,715. The Township of Chippewa Retirement Plan covered a payroll of \$35,175. The Township made contributions to the retirement plan in the amount of \$7,682.

NOTE G: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Township has set aside for specific purposes.

The following are the various fund balance reserves as of March 31, 2008:

General Fund	
Reserved for advances to other funds	\$ 38,000
Reserved for public safety	<u>44,112</u>
	<u>\$ 82,112</u>

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE G: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED

The following are the fund balance designations as of March 31, 2008

General Fund	
Designated for subsequent year's expenditures	\$ 447,150
Debt Service Fund	
Designated for debt service	29,980
Capital Projects Fund	
Designated for capital expenditures	<u>10,967</u>
	<u>\$ 488,097</u>

NOTE H: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE I: RELATED PARTY TRANSACTIONS

The Township engages in business transactions with one vendor, Grim Enterprises, which is owned and operated by the Township supervisor. These transactions are made in the normal course of business and amounted to \$20,328 for the year ended March 31, 2008.

NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION

The Township elected to report the financial activities of the building and zoning activity in the General Fund. The following is the required information as it relates to this activity for the year ended March 31, 2008:

REVENUES	
Building permits	\$ 1,625
EXPENDITURES	
Salary and fringes	13,861
Supplies and miscellaneous	4,410
Publications and notices	<u>809</u>
TOTAL EXPENDITURES	<u>19,080</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u><u>\$ (17,455)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Chippewa

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 70,000	\$ 70,000	\$ 85,421	\$ 15,421
Delinquent personal property tax	100	100	6,509	6,409
Trailer park taxes	650	650	697	47
Property tax administration fees	50	50	5,213	5,163
Total taxes	70,800	70,800	97,840	27,040
Licenses and permits				
Building/zoning permits	3,000	3,000	1,625	(1,375)
Intergovernmental				
State shared revenue	250,000	250,000	326,255	76,255
Metro Act	-	-	4,485	4,485
Tribal gaming revenue	-	-	350,830	350,830
Total intergovernmental	250,000	250,000	681,570	431,570
Charges for services				
Cable franchise fees	12,000	12,000	8,100	(3,900)
Cemetery lots and grave openings	3,000	3,000	4,047	1,047
Total charges for services	15,000	15,000	12,147	(2,853)
Interest and dividends	6,000	9,000	33,307	24,307
Other				
Miscellaneous	60,100	60,100	15,348	(44,752)
TOTAL REVENUES	404,900	407,900	841,837	433,937
EXPENDITURES				
General government				
Township board	16,700	16,700	12,701	3,999
Supervisor	14,500	14,500	12,859	1,641
Clerk	26,050	26,250	20,003	6,247
Board of Review	2,200	2,825	2,355	470
Treasurer	20,650	21,051	15,940	5,111
Assessor	24,100	25,611	25,127	484
Elections	8,200	8,200	3,008	5,192
Township hall	18,150	23,650	13,570	10,080
Cemetery	36,750	43,350	35,294	8,056
Soil preservation	2,500	2,500	-	2,500
Other	16,100	16,100	5,514	10,586
Total general government	185,900	200,737	146,371	54,366

Township of Chippewa

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire department	\$ 129,000	\$ 129,000	\$ 101,518	\$ 27,482
Public works				
Street lights	8,060	9,100	8,431	669
Highways, streets, and bridges	135,800	135,800	29,300	106,500
Drains at large	3,000	3,000	108	2,892
Total public works	146,860	147,900	37,839	110,061
Community and economic development				
Zoning commission	19,300	21,300	19,080	2,220
Planning commission	12,850	12,850	7,338	5,512
Total community and economic development	32,150	34,150	26,418	7,732
Other				
Pension plan contributions and fees	8,000	8,000	7,685	315
Social security	4,000	4,000	3,130	870
Insurance	10,500	10,500	9,997	503
Total other	22,500	22,500	20,812	1,688
TOTAL EXPENDITURES	516,410	534,287	332,958	201,329
NET CHANGE IN FUND BALANCE	(111,510)	(126,387)	508,879	635,266
Fund balance, beginning of year	1,532,660	1,532,660	1,532,660	-0-
Fund balance, end of year	\$ 1,421,150	\$ 1,406,273	\$ 2,041,539	\$ 635,266

OTHER SUPPLEMENTARY INFORMATION

Township of Chippewa

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

March 31, 2008

	Trust and Agency	Current Tax Collections	Total
ASSETS			
Cash	\$ 742	\$ 947	\$ 1,689
LIABILITIES			
Due to State	\$ 742	\$ -	\$ 742
Due to individuals and agencies	-	947	947
TOTAL LIABILITIES	\$ 742	\$ 947	\$ 1,689

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees
Township of Chippewa
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Township of Chippewa, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Chippewa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of fiscal years ended December 31, 2006 and thereafter, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Township prepares monthly financial reporting at the fund level. However, the annual audited financial statements for the year ended March 31, 2008 for the Township required significant audit adjustments.

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The staff at Chippewa Township understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process.

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

MANAGEMENT DISCUSSION AND ANALYSIS

The Governmental Accounting Standards Board (GASB) has determined that it is necessary for governmental entities to supplement their basic financial statements with a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Township has not presented a management's discussion and analysis.

It has historically been common for many small governments to omit a MD&A. As a result, management's understanding and view of the financial statements are not readily available for a reader's consumption.

We are communicating these circumstances as required by professional standards. We recommend the Township Board consider the benefits of preparing a MD&A as well as the related costs to do so.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of accounts receivable, and deferred revenue were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

We noted certain matters that we reported to management of the Township of Chippewa in a separate letter dated July 2, 2008.

This report is intended solely for the information and use of management and Members of the Board of Trustees of Township of Chippewa, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 2, 2008